

12-9-1982

Yomiuri International Economic Society

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Original

ADDRESS BY AMBASSADOR MIKE MANSFIELD
BEFORE

YOMIURI INTERNATIONAL ECONOMIC SOCIETY

KEIDANREN HALL, TOKYO

DECEMBER 9, 1982

THE IMPORTANCE OF THE U.S.-JAPAN RELATIONSHIP

CHAIRMAN MUTAI, PRESIDENT KOBAYASHI, SECRETARY-GENERAL SATO, DISTINGUISHED MEMBERS OF THE YOMIURI INTERNATIONAL ECONOMIC SOCIETY, I AM BOTH HONORED AND PLEASED TO HAVE THE OPPORTUNITY TO ADDRESS THIS SPECIAL LUNCHEON MEETING TODAY. YOUR INVITATION COULD NOT HAVE COME AT A MORE APPROPRIATE TIME, FOR BOTH OUR COUNTRIES -- AND THE FREE WORLD AS A WHOLE -- STAND AT A CRITICAL CROSSROADS X IT IS INCREASINGLY EVIDENT THAT THE NEW JAPANESE GOVERNMENT OF PRIME MINISTER NAKASONE AND THE NEWLY ELECTED U.S. CONGRESS, ALONG WITH THE GOVERNMENTS OF ALL THE WESTERN DEMOCRACIES, PRESENTLY CONFRONT A CHALLENGE TO THE ENTIRE POST-WAR STRUCTURE OF INTERNATIONAL ECONOMIC AND POLITICAL COOPERATION UNPRECEDENTED SINCE THE DAYS OF THE GREAT DEPRESSION X IN CONSEQUENCE OF THE MOST SEVERE WORLD RECESSION SINCE THE THIRTIES AND OF RISING PROTECTIONIST PRESSURES, THE U.S. IS UNDER HEAVY PRESSURE IN CONGRESS TO RESTRICT IMPORTS, ESPECIALLY AGAINST COUNTRIES WHICH RESTRICT OUR EXPORTS X OUR ABILITY TO MANAGE THE CRISIS OF WORLDWIDE RECESSION AND UNEMPLOYMENT IN A MANNER CONSISTENT WITH THE PRINCIPLES OF FREE

TRADE AND MUTUAL COOPERATION UPON WHICH OUR PROSPERITY HAS
DEPENDENED FOR THE PAST 35 YEARS IS AT STAKE.

Chairman Mutai
AND Secy Gen'l SATO
I KNOW THAT MY GOOD FRIENDS PRESIDENT KOBAYASHI [^]SHARE\$ MY
FIRM CONVICTION THAT THE MOST IMPORTANT BILATERAL RELATIONSHIP
IN THE WORLD TODAY IS THAT BETWEEN THE U.S. AND JAPAN^x BOTH IN
TERMS OF THE FUTURE OF OUR TWO COUNTRIES AND THE INTERNATIONAL
COMMUNITY. THE U.S. RELATIONSHIP WITH JAPAN PROVIDES THE
FOUNDATION FOR PROTECTING OUR MUTUAL ECONOMIC, POLITICAL AND
SECURITY INTERESTS IN EAST ASIA, THE PACIFIC AND AROUND THE
WORLD^x BUT AT PRESENT IN SPITE OF THE BASIC SOUNDNESS OF OUR
RELATIONSHIP, THERE ARE SERIOUS PROBLEMS BETWEEN US REQUIRING
URGENT ATTENTION^x OUR ABILITY TO RESOLVE THESE PROBLEMS
THROUGH INCREASED UNDERSTANDING AND MUTUAL COMMITMENT CAN HELP
INSURE THE CONTINUATION OF A FAIR AND STABLE INTERNATIONAL
ECONOMIC AND POLITICAL ORDER BENEFICIAL TO ALL THE NATIONS OF
THE WORLD^x

THE OVERALL U.S.-JAPAN RELATIONSHIP IS A HIGHLY
COOPERATIVE ONE^x WE HAVE STOOD TOGETHER IN PROTEST AGAINST
SOVIET AGGRESSION IN AFGHANISTAN AND INTERFERENCE IN POLAND, A
STAND FOR WHICH JAPAN -- AND THE U.S. -- PAID A SIGNIFICANT
ECONOMIC PRICE IN TERMS OF LOST CONTRACTS AND SALES^x MOREOVER
WE BOTH HAVE BEEN IN THE FOREFRONT, TOGETHER WITH THE ASEAN
STATES, IN CALLING FOR THE WITHDRAWAL OF VIETNAM FROM
KAMPUCHEA^x IN ADDITION, JAPAN IS PLAYING AN INCREASINGLY
SIGNIFICANT ROLE IN PROVIDING ECONOMIC ASSISTANCE TO DEVELOPING

NATIONS AND HAS INCREASED ITS AID TO REFUGEES FROM SOUTHEAST ASIA~~x~~ AT THE RECENT GATT MEETING IN GENEVA, JAPAN WAS ONE OF A VERY FEW COUNTRIES WHICH JOINED THE UNITED STATES IN ARGUING FORCEFULLY AND EFFECTIVELY FOR A CONFERENCE DECLARATION IN SUPPORT OF FREE TRADE PRINCIPLES AS AN ESSENTIAL FIRST STEP TOWARD COPING WITH CURRENT INTERNATIONAL ECONOMIC PROBLEMS~~x~~ UNFORTUNATELY, THE GENEVA MINISTERIAL MEETING ACHIEVED ONLY A LIMITED SUCCESS IN PRESERVING THE SYSTEM OF FREE TRADE WHICH IS SO IMPORTANT TO BOTH JAPAN AND THE U.S.

YET, ON THE OTHER HAND, THERE REMAIN IN JAPAN A VARIETY OF OBSTACLES TO MORE LIBERAL INTERNATIONAL TRADING PRACTICES WHICH SEEM TO BE AT VARIANCE WITH THE VERY PRINCIPLES OF FREE TRADE WHICH WE AND JAPAN ESPOUSE AND WHICH DO NOT IN THE EYES OF OTHER COUNTRIES JIBE WITH THE ECONOMIC PRE-EMINENCE WHICH JAPAN HAS NOW ATTAINED~~x~~ AS PERHAPS THE WORLD'S CHIEF BENEFICIARY OF THE FREE TRADE SYSTEM -- AND THE NATION MOST DEPENDENT ON ACCESS TO THE MARKETS OF THE WORLD FOR CONTINUED ECONOMIC PROSPERITY -- WE ASK THAT JAPAN, IN ITS OWN INTEREST, TRANSLATE ITS EXPRESSIONS OF PRINCIPLE AND ITS MARKET LIBERALIZATION PLANS INTO CONCRETE ACTIONS TO OPEN NEW MARKETS IN KEEPING WITH ITS POSITION AS THE SECOND LARGEST ECONOMY IN THE FREE WORLD.

DESPITE EFFORTS IN BOTH OUR COUNTRIES TO UNDERSTAND EACH OTHER BETTER, NOT ENOUGH ATTENTION IS BEING GIVEN IN JAPAN TO

DANGER SIGNALS GOING UP ACROSS THE PACIFIC WITH RESPECT TO OUR TRADE RELATIONS~~x~~ GIVEN THE FACT THAT THE 1981 U.S. MERCHANDISE TRADE DEFICIT OF \$15.8 BILLION WITH JAPAN IS EXPECTED IN 1982 TO INCREASE EVEN MORE, THE MOST IMMEDIATE AND POLITICALLY SENSITIVE ISSUE IN U.S.-JAPANESE RELATIONS IS UNQUESTIONABLY TRADE~~x~~ A SITUATION NOW EXISTS WHICH, IN MANY DIFFERENT FIELDS -- MANUFACTURED GOODS, SERVICES, STANDARDS CODES, INVESTMENTS -- JAPAN ENJOYS EASIER ACCESS TO THE AMERICAN MARKET THAN AMERICA HAS TO THE JAPANESE MARKET~~x~~ IN ORDER TO COUNTER RISING PROTECTIONIST SENTIMENT IN THE U.S. AND AMONG JAPAN'S OTHER MAJOR TRADING PARTNERS, JAPAN SHOULD, IN ITS OWN INTEREST, FURTHER OPEN UP HER MARKETS~~x~~ FOR IT IS THE WIDELY SHARED PERCEPTION THAT THE JAPANESE MARKET IS NOT AS OPEN AS IT SHOULD BE THAT IS CAUSING UNITED STATES POLITICIANS -- INCLUDING PREVIOUS CHAMPIONS OF FREE TRADE -- TO CALL FOR NEW RESTRICTIONS ON IMPORTS FROM JAPAN~~x~~ IT IS THIS PERCEPTION WHICH HAS RESULTED IN A MAJORITY OF THE HOUSE OF REPRESENTATIVES AND A SMALLER GROUP IN THE SENATE TO GO ON RECORD AS FAVORING SOME FORM OF SO-CALLED "LOCAL CONTENT LEGISLATION" WHICH WOULD REQUIRE THAT A HIGH PERCENTAGE OF CERTAIN FOREIGN PRODUCTS SOLD IN THE AMERICAN MARKET -- SUCH AS AUTOS -- BE MANUFACTURED IN THE U.S.~~x~~ *Reported out.*

I FIRMLY BELIEVE THAT A PROTECTIONIST APPROACH TO DEALING WITH OUR CURRENT TRADE PROBLEMS WOULD BE WRONG~~x~~ THE AMERICAN ANSWER TO JAPANESE COMPETITION IN OUR MARKETPLACE SHOULD NOT BE SOUGHT THROUGH NEW TRADE BARRIERS WHICH WILL INVITE

RETALIATION, REDUCE TRADE AND HURT AMERICAN PRODUCERS, CONSUMERS AND WORKERS. A LARGE PART OF THE ANSWER IS RATHER TO APPLY OUR FAMOUS YANKEE INGENUITY TO INCREASE PRODUCTIVITY, AND TO DEVELOP A MORE COOPERATIVE RELATIONSHIP BETWEEN LABOR AND INDUSTRY AND INDUSTRY AND GOVERNMENT. NEVERTHELESS, WE WILL NOT BE ABLE TO RESIST SUCCESSFULLY PROTECTIONIST PRESSURE IF THE PERCEPTION PERSISTS THAT OUR MAJOR TRADING PARTNERS -- PARTICULARLY JAPAN -- ARE PROTECTING THEIR MARKETS WHILE COMPETING FREELY IN THE U.S. MARKET.

JAPAN AND THE U.S. ARE THE WORLD'S GREATEST OVERSEAS TRADING PARTNERS, WITH TWO-WAY TRADE AMOUNTING THIS YEAR TO MORE THAN \$60 BILLION. JAPAN IS A VITAL MARKET FOR U.S. PRODUCTS, TAKING MORE OF OUR GOODS EACH YEAR THAN ANY OTHER COUNTRY EXCEPT CANADA. THIS UNPRECEDENTED BILATERAL TRADING RELATIONSHIP SIGNIFIES AN ECONOMIC INTERDEPENDENCY OF ENORMOUS BENEFIT TO BOTH COUNTRIES, ONE THAT SHOULD BE PROTECTED AT ALL COSTS. WHILE JAPAN DEPENDS ON THE U.S. TO BUY JAPANESE GOODS AND SERVICES MORE THAN ON ANY OTHER MARKET, THE UNITED STATES ALSO FINDS THAT THE JAPANESE ECONOMY HAS A BROADER EFFECT ON U.S. ECONOMIC INTERESTS THAN ANY OTHER OVERSEAS COUNTRY. TWO-WAY INVESTMENT NOW EXCEEDS \$13 BILLION. JAPAN PURCHASED \$22 BILLION OF U.S. EXPORTS IN 1981 WHILE THE U.S. PURCHASED \$37 BILLION OF JAPAN'S EXPORTS. JAPAN BUYS OVER 15 PERCENT OF ALL AMERICAN AGRICULTURAL EXPORTS (ALMOST TWICE AS MUCH AS ANY OTHER COUNTRY), WHILE 20 TO 25 PERCENT OF ALL AUTOMOBILES SOLD IN THE U.S. ARE OF JAPANESE MANUFACTURE.

HOWEVER, IN SPITE OF THE GROWTH IN OUR TWO-WAY TRADING RELATIONSHIP, IT IS CLEAR THAT JAPANESE EXPORTS TO THE U.S. HAVE ACHIEVED SIGNIFICANT PENETRATION OF THE U.S. MARKET IN MANY AREAS WHILE THE U.S. SHARE OF THE JAPANESE MARKET IN AREAS WHERE WE SHOULD BE MOST COMPETITIVE IS STRIKINGLY LOW. IN ADDITION TO JAPAN'S NEARLY ONE-QUARTER SHARE OF THE U.S. AUTO MARKET, MANY OTHER JAPANESE PRODUCTS NOW HOLD MAJOR SHARES OF THE U.S. MARKET. TO ILLUSTRATE MY POINT, LAST YEAR'S FIGURES INDICATE THAT IN STEEL JAPAN HELD A 10 TO 15 PERCENT SHARE OF THE U.S. MARKET; IN TVs 20 TO 30 PERCENT; IN MOTORCYCLES, 90 PERCENT; IN RADIOS, 50 TO 60 PERCENT; IN CAMERAS, OVER 30 PERCENT; IN RECORDING EQUIPMENT, OVER 50 PERCENT; IN WATCHES, OVER 50 PERCENT; AND IN MACHINE TOOLS, OVER 20 PERCENT. BY CONTRAST, REPRESENTATIVE COMPETITIVE U.S. PRODUCTS HOLD ONLY THE FOLLOWING LIMITED SHARE OF THE MARKET IN JAPAN -- CIGARETTES, 1.3 PERCENT IN COMPARISON TO MORE THAN A 50 PERCENT SHARE OF CIGARETTE SALES IN HONG KONG, A MARKET VERY SIMILAR TO JAPAN'S; COMMUNICATIONS EQUIPMENT, 1.3 PERCENT; FRESH ORANGES, 3 PERCENT; MEDICAL EQUIPMENT, 6.3 PERCENT; OFFICE AUTOMATION EQUIPMENT, 11.2 PERCENT; BEEF, 7 PERCENT; AS WELL AS UNREASONABLY LOW MARKET SHARES FOR SUCH COMPETITIVE PRODUCTS AS ANALYTICAL INSTRUMENTS, WOOD PRODUCTS, INDUSTRIAL CHEMICALS AND PHARMACEUTICALS.

JAPAN'S SUCCESS IN EXPORTING TO THE U.S. HAS OCCASIONED CONSIDERABLE CONCERN IN THE U.S. EVEN THOUGH THE GLOBAL U.S.

CURRENT ACCOUNT (INCLUDING INVISIBLES) IS IN SURPLUS. BECAUSE DEMAND IN THE U.S. FOR MANY PRODUCTS IS DOWN, JAPANESE PRODUCTS ARE OFTEN SEEN AS DISPLACING U.S. PRODUCTS AND EMPLOYMENT.

IT IS TRUE, AS MANY JAPANESE HAVE OBSERVED, THAT THE JAPANESE MARKET IS NOW MORE OPEN THAN IT HAS BEEN IN THE PAST. TARIFF BARRIERS, FOR EXAMPLE, HAVE BEEN SUBSTANTIALLY REDUCED. NONETHELESS, THERE REMAIN IN JAPAN A NUMBER OF BARRIERS TO U.S. IMPORTS WHICH ARE NEITHER NECESSARY OR DEFENSIBLE. PRIME EXAMPLES ARE THE 35 PERCENT TARIFF ON IMPORTS OF MANUFACTURED TOBACCO AND THE RESTRICTIONS ON DISTRIBUTION OF U.S. TOBACCO PRODUCTS, AND DISCRIMINATORY QUOTAS ON SOME AGRICULTURAL IMPORTS SUCH AS BEEF AND CITRUS. REDUCTION OR REMOVAL OF THESE BARRIERS BY JAPAN WOULD DO MUCH TO IMPROVE THE TRADE CLIMATE BETWEEN THE TWO COUNTRIES AND STRENGTHEN THE BILATERAL ECONOMIC RELATIONSHIP.

ACHIEVING A MORE OPEN JAPANESE MARKET HAS BEEN A MAJOR U.S. GOVERNMENT OBJECTIVE FOR MANY YEARS, WITH INCREASED EMPHASIS OVER THE PAST YEAR AND ONE-HALF. AMBASSADOR WILLIAM BROCK, THE U.S. TRADE REPRESENTATIVE, SECRETARY OF STATE GEORGE SHULTZ AND SECRETARY OF COMMERCE MALCOLM BALDRIDGE HAVE MADE THIS POINT REPEATEDLY. TEAMS OF U.S. OFFICIALS HAVE ENGAGED IN AN ALMOST CONTINUOUS DIALOGUE WITH JAPANESE OFFICIALS TO DETAIL U.S. CONCERN, TO URGE PROMPT JAPANESE ACTION AND TO SUGGEST POSSIBLE SOLUTIONS. THERE HAS BEEN SOME REASON FOR HOPE: THE JAPANESE GOVERNMENT ANNOUNCED TRADE LIBERALIZATION PACKAGES IN

JANUARY AND AGAIN IN MAY OF THIS YEAR. THE PACKAGES INCLUDED ACCELERATION OF TARIFF REDUCTIONS AGREED TO IN THE TOKYO ROUND, ESTABLISHMENT OF THE OFFICE OF THE TRADE OMBUDSMAN (OTO) TO RECEIVE TRADE COMPLAINTS, REFORM OF CUSTOMS PROCEDURES, STEPS TO REMOVE OR SIMPLIFY SOME STANDARDS REQUIREMENTS AND A PLEDGE BY THE PRIME MINISTER TO CONTINUE EFFORTS TO OPEN FURTHER THE JAPANESE MARKET. THESE STEPS ARE WELCOME AND HELPFUL, BUT THEY DO NOT GO AS FAR AS JAPAN CAN AND SHOULD GO. IT IS IMPORTANT THAT JAPAN FULLY FLESH OUT AND IMPLEMENT THESE COMMITMENTS WHILE AT THE SAME TIME TAKING FURTHER STEPS TO OPEN UP ITS MARKET. THIS SHOULD INCLUDE A SIGNIFICANT REDUCTION IN AND EVENTUAL ELIMINATION OF THE TARIFF ON MANUFACTURED TOBACCO, LIBERALIZATION OF THE QUOTAS ON AGRICULTURAL PRODUCTS SUCH AS BEEF AND CITRUS, AND ADDITIONAL FLEXIBILITY IN THE APPLICATION OF ITS PRODUCT HEALTH AND SAFETY STANDARDS.

IT IS VITAL THAT THE JAPANESE GOVERNMENT AND PEOPLE UNDERSTAND THE URGENCY AND IMPORTANCE OF OUR REQUESTS. I RECOGNIZE THAT SUSTAINED AND ENERGETIC EFFORTS ARE NEEDED TO OVERCOME JAPANESE ADMINISTRATIVE RESISTANCE TO EASING TECHNICAL STANDARDS AND SIMPLIFYING PROCEDURES. I WELCOME THE URGINGS FROM JAPANESE LEADERS FOR GREATER FLEXIBILITY AND RECEPTIVITY TO FOREIGN IMPORTS. I AM HAPPY TO NOTE THAT PRIME MINISTER NAKASONE HAS EMPHASIZED THE IMPORTANCE OF FURTHER LIBERALIZATION OF THE JAPANESE MARKET IN HIS PUBLIC STATEMENTS SINCE HIS ELECTION.

DESPITE THE STRAIN CURRENT U.S. ECONOMIC DIFFICULTIES PLACE ON U.S. TRADE POLICY, THE U.S. IS NOT, AS YET, TURNING TO PROTECTIONISM. THE ECONOMIC POLICIES OF PRESIDENT REAGAN AIM AT THE RECOVERY OF THE U.S. ECONOMY AND NOT AT ITS INSULATION FROM GLOBAL COMPETITION. BUT OUR TRADING PARTNERS HAVE THEIR RESPONSIBILITIES AS WELL. JAPAN IN PARTICULAR NEEDS TO TAKE ADDITIONAL STEPS TO DEMONSTRATE ITS WILLINGNESS TO DO ITS FAIR SHARE TO MAINTAIN THE WORLD TRADING SYSTEM FROM WHICH IT SO CLEARLY BENEFITS AND TO DISCOURAGE PROTECTIONISM.

FOR SOME YEARS NOW, THE UNITED STATES HAS HAD AN UNFAVORABLE BALANCE OF TRADE WITH JAPAN. UNTIL RECENTLY, THE U.S. HAS TENDED TO ACCEPT ITS TRADE GAP WITH JAPAN QUITE PHILOSOPHICALLY. WE AMERICANS UNDERSTOOD THAT JAPAN HAD TO EXPORT TO SURVIVE AND TO RECOVER AFTER THE WAR. AND IN ANY CASE, OUR TRADE BALANCE ELSEWHERE IN THE WORLD HAS OFTEN BEEN FAVORABLE AND OUR GLOBAL BALANCE OF TRADE HAS BEEN GOOD IN MOST YEARS.

NOW THE SITUATION IS DIFFERENT. TODAY, MORE THAN EVER BEFORE, THE UNITED STATES DEPENDS ON ITS ABILITY TO SELL GOODS AND SERVICES ABROAD. UNITED STATES TOTAL WORLD EXPORTS NOW AMOUNT TO EIGHT PERCENT OF OUR GNP (AS COMPARED TO 13 PERCENT IN THE CASE OF JAPAN). FOUR OUT OF FIVE AMERICAN JOBS CREATED IN THE LAST FIVE YEARS ARE IN OUR EXPORT INDUSTRIES.

AS YOU KNOW, THE UNITED STATES IS IN A RECESSION, ALONG

WITH MUCH OF THE WORLD. TEN POINT EIGHT PERCENT OF OUR WORK
FORCE IS UNEMPLOYED, MANY FROM INDUSTRIES WHERE JAPANESE
IMPORTS HAVE MADE DRAMATIC INROADS IN RECENT YEARS. I WISH TO
EMPHASIZE THOSE UNEMPLOYMENT FIGURES: THE NUMBER OF UNEMPLOYED
IN AMERICA TODAY JUST ABOUT EQUALS THE POPULATION OF TOKYO!
THERE IS MUCH THAT THE UNITED STATES CAN -- AND IS -- DOING TO
RECTIFY THIS SITUATION, TO PUT ITS OWN ECONOMIC HOUSE IN
ORDER. UNDER THE REAGAN ADMINISTRATION, INFLATION HAS BEEN
REDUCED TO FIVE PERCENT, INTEREST RATES HAVE COME DOWN FROM
OVER 20 PERCENT TO LESS THAN TWELVE PERCENT. BUT STILL THE
AMERICAN ECONOMY IS HARDLY GROWING, WHILE OUR TRADE GAP WITH
JAPAN INCREASES.

AT THE SAME TIME, THE AMERICAN PEOPLE ARE BEING ASKED TO
SUPPORT THROUGH TAXES A MUCH LARGER DEFENSE BUDGET TO MEET
INCREASED SOVIET MILITARY POWER; TO CONTINUE ECONOMIC
ASSISTANCE TO THE DEVELOPING COUNTRIES; TO ACCEPT MORE REFUGEES
(WE HAVE TAKEN IN 600,000 REFUGEES IN THE LAST FEW YEARS
ALREADY!) AMERICA'S DEFENSE BUDGET ALONE ACCOUNTS FOR OVER
SIX PERCENT OF OUR GROSS NATIONAL PRODUCT. JAPAN'S MILITARY
BUDGET IS JUST UNDER ONE PERCENT OF GNP, ALTHOUGH IF IT
INCLUDED PENSIONS AND SURVIVORS BENEFITS, AS DO THE DEFENSE
BUDGETS OF THE U.S. AND THE NATO COUNTRIES, IT WOULD BE
SOMEWHAT ABOVE ONE PERCENT.

AMERICANS REALIZE THAT THEY ARE NOT THE ONLY COUNTRY WITH
ECONOMIC PROBLEMS OR HEAVY TAX BURDENS TO PAY FOR DEFENSE. BUT

THEY FEEL, UNDERSTANDABLY I THINK, THAT IT IS HIGH TIME OTHER ADVANCED COUNTRIES CONTRIBUTED MORE ACTIVELY TO THE OVERALL STABILITY OF THE WORLD IN ECONOMIC AND DEFENSE TERMS.

FOR YEARS, JAPAN COULD SAY WITH REASON THAT ITS INDUSTRIES NEEDED VARIOUS KINDS OF PROTECTION IF ITS ECONOMY WAS TO GET ON ITS FEET, THAT IT COULD NOT DO ANYTHING ON THE MILITARY SIDE BECAUSE OF LACK OF FUNDS AND CONSTITUTIONAL RESTRAINTS. FOR YEARS, JAPANESE HAVE FELT A DEEP SENSE OF VULNERABILITY. FOR YEARS, THE WORLD -- ESPECIALLY THE UNITED STATES, WHICH WAS SEEN BY MANY JAPANESE AS OVERWHELMINGLY POWERFUL AND SUCCESSFUL -- ACCEPTED THESE REASONS AND RESPECTED THEM.

AMERICA TODAY IS STILL BASICALLY STRONG; IT WILL EVENTUALLY RECOVER FROM ITS PRESENT ECONOMIC DIFFICULTIES. BUT JAPAN, TOO, IS STRONG -- MUCH STRONGER, MORE SUCCESSFUL, AND MORE INFLUENTIAL THAN MANY JAPANESE REALIZE. JAPAN HAS NOW ARRIVED AT AN HISTORICAL WATERSHED. IT IS THE SECOND LARGEST ECONOMY IN THE FREE WORLD; ITS PER CAPITA INCOME, WHILE STILL LESS THAN THE U.S., IS AMONG THE WORLD'S HIGHEST. JAPAN ACCOUNTS FOR TEN PERCENT OF THE WORLD'S ECONOMIC OUTPUT. JAPANESE PRODUCTS ARE SOLD WIDELY ALL OVER THE WORLD; AND JAPANESE TECHNOLOGICAL INNOVATIONS CONTRIBUTE TO THE WORLD'S PROSPERITY AND BETTER HEALTH IN HUNDREDS OF WAYS.

WHAT HAS MADE THIS DRAMATIC CHANGE IN JAPAN'S WORLD POSITION POSSIBLE? FIRST AND FOREMOST, THE HARD WORK AND

ABILITY OF THE JAPANESE PEOPLE; SECONDLY, THE EXCELLENCE OF JAPAN'S PRIMARY AND SECONDARY PUBLIC EDUCATION~~x~~ BUT THERE IS ANOTHER MAJOR FACTOR ALSO CONTRIBUTING TO JAPAN'S SUCCESS STORY: THE WILLINGNESS OF MUCH OF THE WORLD, AND ESPECIALLY OF THE UNITED STATES, TO FREELY ADMIT JAPANESE GOODS AT COMPETITIVE PRICES ENABLING JAPAN TO BUY THE RESOURCES IT HAD TO HAVE FOR ITS ECONOMY TO GROW~~x~~ AND THE GROWTH IN JAPANESE SALES OF CONSUMER GOODS HAS INDEED BEEN PHENOMENAL~~x~~ LET ME EMPHASIZE THAT FOR THE AMERICAN CONSUMER, THIS IS FINE!~~x~~ WE DO NOT WANT A SITUATION TO DEVELOP WHERE AMERICANS WOULD NOT BE ABLE TO BUY SUCH PRODUCTS SO CHEAPLY OR EASILY~~x~~ WE WANT OUR CONSUMERS TO BE ABLE TO CHOOSE FROM AMONG THE BEST, LEAST EXPENSIVE PRODUCTS FROM ALL OVER THE WORLD~~x~~

HOWEVER, AND HERE IS THE NUB OF THE PROBLEM: WE SHOULD BE ABLE TO PENETRATE YOUR MARKETS AS FREELY AND AS EFFICIENTLY AS YOU ARE NOW ABLE TO PENETRATE OURS.~~x~~

BEFORE CONTINUING, I WOULD LIKE TO SUGGEST THAT ONE WAY WE MIGHT DRAMATICALLY REDUCE OUR BILATERAL TRADE DEFICIT AND INCREASE THE VALUE OF U.S. EXPORTS TO JAPAN BY THREE TO FOUR BILLION DOLLARS PER YEAR WOULD BE TO LIFT THE PRESENT CONGRESSIONAL BAN ON EXPORT OF SURPLUS ALASKAN OIL AND NATURAL GAS~~x~~

AT PRESENT, EACH DAY 600,000 BARRELS OF SURPLUS OIL LEAVE THE PORT OF VALDEZ, ALASKA, IN SUPER TANKERS~~x~~ THEN THE OIL IS

TRANSSHIPPED THROUGH THE PANAMA CANAL IN SMALLER BOATS, AND FINALLY TRANSFERRED BACK INTO SUPER TANKERS FOR TRANSPORT TO U.S. GULF COAST REFINERIES. THE WHOLE JOURNEY IS IN U.S. FLAG SHIPS WITH TRANSPORT COSTS AMOUNTING TO \$5.50 TO \$5.60 A BARREL. IF CURRENT RESTRICTIONS -- STRONGLY SUPPORTED BY U.S. SHIPOWNERS AND MARITIME UNIONS -- WERE REMOVED, THIS SURPLUS ALASKAN OIL COULD BE SHIPPED TO JAPAN. GULF COAST REFINERIES COULD MAKE UP THE DIFFERENCE BY STEPPING UP IMPORTS FROM MEXICO AT FIFTY CENTS A BARREL OR FROM THE MIDDLE EAST AT FROM \$2.00 TO \$3.00 A BARREL.

IN DISCUSSIONS WITH INTERESTED REPRESENTATIVES OF THE PRIVATE SECTOR IN JAPAN, I HAVE RECEIVED THE IMPRESSION THAT IF ALASKAN OIL WERE TO BE EXPORTED TO JAPAN, THERE WOULD BE SERIOUS CONSIDERATION GIVEN TO UTILIZING -- AT LEAST IN PART -- AMERICAN BOTTOMS FOR SUCH SHIPMENTS AT A PROBABLE COST OF \$2.50 TO \$3.00 A BARREL. I HOPE THAT BOTH U.S. AND JAPANESE GOVERNMENTS AND POLITICAL LEADERS WILL CAREFULLY STUDY SUCH A POSSIBILITY, WHICH WOULD AT ONE STROKE GREATLY INCREASE U.S. EXPORTS TO JAPAN, SOMEWHAT LOWER U.S. OIL PRICES DUE TO MORE EFFICIENT TRANSPORTATION, DECREASE JAPAN'S CURRENT DEPENDENCE ON THE MIDEAST FOR 70 PERCENT OF ITS OIL IMPORTS, BENEFIT U.S. MARITIME UNIONS AND THE MARITIME INDUSTRY AND FURTHER INCREASE THE ECONOMIC TIES BINDING OUR TWO COUNTRIES, THEREBY STRENGTHENING OUR OVERALL RELATIONSHIP. AS I SEE IT, THIS POSSIBILITY WOULD BENEFIT ALL CONCERNED AND INJURE NO ONE.

THE SECOND MAJOR ISSUE IN U.S.-JAPANESE RELATIONS WHICH DEMANDS ATTENTION AT THE POLITICAL LEVEL IS DEFENSE. DESPITE THE SEVERE ECONOMIC SITUATION IN THE UNITED STATES, AMERICANS ARE GENERALLY AGREED THAT SOVIET MILITARY ADVANCES AND AGGRESSIVE BEHAVIOR OF THE LAST FEW YEARS MUST BE MET WITH A FIRM STAND BY THE WESTERN NATIONS. AS A CONSEQUENCE THE UNITED STATES IS CURRENTLY ENGAGED IN AN EXTRAORDINARY EFFORT TO STRENGTHEN ITS OWN FORCES IN RESPONSE TO THE SOVIET BUILDUP. THIS IS ESSENTIAL NOT ONLY TO U.S. SECURITY, BUT ALSO TO THE SECURITY OF ITS ALLIES, INCLUDING JAPAN.

RECENTLY, THERE HAS BEEN SOME CONCERN EXPRESSED BY SEVERAL ASIAN LEADERS WITH RESPECT TO U.S. SUPPORT FOR A SOMEWHAT LARGER JAPANESE DEFENSE EFFORT. AS WE HAVE MADE CLEAR SEVERAL TIMES, THE U.S. INTENDS TO MAINTAIN ITS DEFENSIVE ROLE IN THE PACIFIC AND IN EAST ASIA. BUT WE CAN DO SO MORE EFFECTIVELY, AND CONTRIBUTE TO FREE WORLD SECURITY INCLUDING THE SECURITY OF THE OIL STATES OF THE MIDDLE EAST, IF JAPAN INCREASES ITS OWN ABILITY TO DEFEND ITSELF AND, WITH OUR COOPERATION, ITS SURROUNDING WATERS AND SEA LANES. I BELIEVE THAT SUCH A POSTURE ON THE PART OF BOTH OUR COUNTRIES WILL BE QUITE ACCEPTABLE -- EVEN WELCOMED -- BY OUR MUTUAL FRIENDS IN ASIA.

IN ASKING JAPAN TO DO MORE IN ITS OWN SELF-DEFENSE, THE UNITED STATES IS MINDFUL OF THE CONSTITUTIONAL AND POLITICAL

CONSTRAINTS WITH RESPECT TO JAPAN'S DEFENSE ROLE. WE ARE NOT SUGGESTING THAT JAPAN TAKE ON ANY MISSIONS THAT WOULD VIOLATE THESE CONSTRAINTS, AND WE DO NOT EXPECT JAPAN TO PLAY A REGIONAL MILITARY ROLE IN EAST ASIA.

THOSE DIFFERENCES WE HAVE WITH JAPAN ON DEFENSE ISSUES ARE NOT OVER GOALS BUT RATHER OVER THE PACE AT WHICH WE SHOULD PROCEED. WE WELCOME JAPAN'S DECISION TO INCREASE ITS DEFENSE EXPENDITURES AND ARE ENCOURAGED BY PRIME MINISTER NAKASONE'S STATEMENTS INDICATING THAT THE NEW JAPANESE GOVERNMENT IS COMMITTED TO INCREASING JAPAN'S SELF DEFENSE CAPABILITY. THOSE WHO WOULD LIKE TO SEE JAPAN MORE SHARPLY INCREASE ITS SHARE OF THE FREE WORLD'S DEFENSE BURDEN SHOULD NOT LOSE SIGHT OF THE FACT THAT WHILE JAPAN, FROM AN ADMITTEDLY MUCH SMALLER BASE, WAS INCREASING ITS DEFENSE BUDGET IN THE 1970S AT AN ANNUAL REAL GROWTH RATE OF ABOUT EIGHT PERCENT, THE NATO YEARLY INCREASE WAS ABOUT 2.5 PERCENT, AND THE UNITED STATES WAS ACTUALLY DECREASING ITS BUDGET BY ABOUT TWO PERCENT A YEAR. NOW, ALL OF US SHOULD DO MORE, EVEN WHEN WE ARE TRYING HARD TO REDUCE OUR NATIONAL BUDGET DEFICITS.

IN DISCUSSING U.S.-JAPAN RELATIONS, IT IS NOT SUFFICIENT TO FOCUS ONLY ON HANDLING THE IMMEDIATE BILATERAL ISSUES WE FACE. WE MUST NOT NEGLECT THE LONGER TERM CHALLENGE OF EXPANDING THE WEB OF TIES BETWEEN OUR TWO SOCIETIES. IT IS ESSENTIAL THAT WE DEVELOP A GREATER BREADTH AND DEPTH OF UNDERSTANDING OF EACH OTHER'S SOCIETY AND CULTURE TO ENSURE

THAT INEVITABLE BILATERAL PROBLEMS DO NOT THREATEN THE BASIC
RELATIONSHIPx

OUR OVERALL RELATIONS REMAIN STRONGx BUT WE MUST NOT
IGNORE SIGNALS OF DISTRESS, AND SUCH SIGNALS ARE NOW FLASHING
BRIGHTLY IN THE U.Sx NOW IS THE TIME FOR MORE RAPID ACTION --
FOR BOTH OUR FUTURESx

IN CONCLUSION I WOULD LIKE TO SUGGEST THAT THE HISTORY OF
THE TWENTIETH CENTURY HAS TAUGHT US THAT THE PRESERVATION OF
INTERNATIONAL PEACE AND SECURITY DEPENDS ON EQUITABLE
INTERNATIONAL ECONOMIC RELATIONS AND A SHARING OF THE BURDENS
OF DEFENDING THE DEMOCRATIC WAY OF LIFEx JAPAN AND THE UNITED
STATES HAVE THE OPPORTUNITY TODAY TO DEMONSTRATE THAT DESPITE
DIFFERENT HISTORICAL AND CULTURAL ANTECEDENTS, TWO PEOPLES
FIRMLY COMMITTED TO THE IDEALS OF DEMOCRACY AND PROSPERITY AND
DETERMINED TO RESOLVE THE INEVITABLE DIFFERENCES THAT ARISE
BETWEEN GREAT NATIONS CAN SERVE AS A MODEL FOR PROGRESSIVE
INTERNATIONAL RELATIONsx IF WE SUCCEED IN MEETING TODAY'S
DIFFICULT AND COMPLEX CHALLENGES, FUTURE GENERATIONS WILL LOOK
BACK ON THE DECADE OF THE 1980S AS A TIME WHEN THE WORLD
COMMUNITY TOOK A GIANT STEP FORWARD IN PROMOTING AND PRESERVING
A STABLE AND BENEFICIAL WORLD ORDER OVER THE DEMANDS OF
SHORT-SIGHTED NATIONALISMx IF WE FAIL, THE FUTURE FOR ALL OF
US MAY BE VERY BLEAK INDEED.

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